average rates or costs averaged over an area within universal service categories is not equivalent to the payments collected from other services and given to the universal service category.[50]

There are always differences in costs within any service area. The averaging of those costs over the customers in that service area is not a subsidy to that service. As long as the revenues being received from that service cover the appropriate costs of that service, that service is not receiving a subsidy from other services. If this section is read to prohibit the averaging of costs through rates, then each customer would have to have his or her own rate. If each customer's rate must be based upon the cost of serving that particular customer, that would be administratively burdensome. There are many factors that cause variations in costs of serving a particular customer. For example, subsurface conditions can vary within the same suburban block so that the cost of burying a cable is much higher in one location than another. There is no practical way that all variations in cost can be incorporated in the rates to individual customers.

In ¶ 63, the FCC notes that Section 254(g) of the 1996 Act requires IXCs to charge subscribers in the rural and high cost areas no more than they charge in urban areas, and to charge rates in one state no higher than rates in other states. The FCC then asks whether this requirement would preclude an IXC from charging its customers the flat rate monthly assessment for each line if that amount varied among states, or between areas in the state.

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[50]In addition, the SLC rates are already deaveraged to some limited extent. The SLC is capped at cost so that no customer now pays more than cost. For example, the full cost of the interstate portion of the common line in the District of Columbia is less than $3.50. As a result, residential consumers in the District of Columbia pay less than $3.50 per month. This makes it even less likely that the current "averaged" SLC is a universal service contribution. In addition, the multi-line SLC varies significantly among LECs.

The fact that these access charges from the LECs might be different in different areas would not preclude an IXC from charging its customers a monthly flat rate charge. However, that flat rate charge would have to be no higher in rural or high cost areas than in urban areas and would have to meet the requirement for consistency among states.

In ¶63, the FCC also asks if it should forebear the requirement in Section 254(g) for IXCs to recover flat rated CCLCs. State Advocates propose that Congress has been quite clear in Section 254(g) that it does not wish IXC toll rates to be deaveraged such that toll rates for rural customers would be higher than toll rates for urban customers. Congress approved this requirement, in spite of the fact that the access charges the IXCs pay vary.

State Advocates do not propose to make the flow through of access charges an exception to this policy. Moreover, State Advocates do not wish access charges to be deaveraged to such an extent that the toll averaging requirement would be rendered more difficult to maintain. However, some revision of the form and amount of the common line access charges should not necessarily cause this legal prohibition to be avoided.

State Advocates also recognize that the access charges that the IXCs pay vary from state to state, and between LECs in a state.[51] There is no reason to believe that some revision in the access charge structure and amount would necessarily prohibit the continued application of Section 254(g). Because of the variations of costs among states and among

[51]It is interesting to note that the FCC in both its Interconnection Order and in this Notice, is proposing geographic deaveraging, which would increase the charge rate differential paid by the IXCs. There is no logical reason for the FCC to be more concerned about variations among geographic areas in a flat rate CCLC than it should be concerning variations in other access charges among geographic areas.

companies, it is reasonable to expect that there would be variations in the access charges paid by the IXCs, regardless of whether those access charges are flat rated, charged per minute, or on any other reasonable basis. It would be extremely difficult for the access charges to be uniform nationwide, other than through some form of nationwide pooling by all of the LECs and CLECs; this process is not recommended. However, there is no reason to focus on the flat rated CCLC in addressing this issue and assume that the access rate restructuring proposed herein must force the end of the toll averaging policy in Section 254(g). Congress specified that the IXC charges effectively had to be similar throughout the nation, in spite of the fact that the access charges the IXCs already pay vary throughout the nation.

The Commission seeks comments as to whether it should allow differential pricing for access services to residential, single line business and multi-line business customers. (¶ 212)

State Advocates submit that for now and the foreseeable future, the answer is no. At the present time, there is very little actual competition for switched access services. The CAPs provide primarily special access or other services to high volume locations. The industry is a long way away from the day when there will be several different telecommunications facilities connected to each premise owned by competing providers in unaffiliated companies. There is significant monopoly power still existing and expected to exist in the foreseeable future. Allowing different switched access rates for residential, single line business, and multi-line business customers would effectively allow the LECs to collect higher contribution from those customers over which they have greater monopoly power than from those customers where they face competition. This is an abuse of monopoly power and is contrary to the reasonable goal of establishing regulated rates that are similar to the rates that would occur if there was competition.

Since residential and single line business customers are the premises likely to see the least true facility-based competition, it is reasonable to expect that the LECs will use the power to differentiate rates in order to extract greater contribution from the access services to residential and single line business customers. This is an undesirable and improper result.

The protection that is appropriate is that the access rates should be the same for similar types of traffic and otherwise similar access services, regardless of whether it is to residential, single line business, or multi-line business customers. Such a requirement would be cost-based, but would recognize the lack of competition still existing in the market today.

In ¶ 216 the FCC asks whether under Phase 2 LECs should be allowed to apportion access charges between carriers and end users according to market place pressures. The answer is no. As previously discussed, the LECs are expected to be toll carriers in the future (¶ 216). It is reasonable to expect that if given this authority, the LECs would use their market power to compose a solution that was advantageous to the toll carriers. Allowing the incumbent LECs to make this decision would allow them to use their monopoly power in order to impose their rule on the market. The FCC properly recognizes the "bottleneck" characteristics that the LECs have since they provide the common line. (¶ 216) The LECs are also toll carriers. It is reasonable to expect that this conflict of interest will result in the LECs favoring recovering a disproportionate share of these costs from the end users and a small portion of these costs from toll services. For the foreseeable future, this decision would not actually be controlled by market conditions.

It is much more reasonable to let the market determine what portion of these costs should be billed to the end users as fixed monthly charges and what portion should be billed in

other manners. The most competitive point in the interexchange market exists between the IXCs and the end users. If the access charges are initially assessed to the IXCs, then it will be up to the competitive market that exists between the IXCs and the end users to determine how those costs will be recovered.

Another question raised in ¶ 215 is whether access charges should be imposed on the end users for originating access or terminating access, or both. This is also an issue that is unnecessary and improper for the FCC or the LECs to decide. Instead, these charges should be assessed on the IXCs. The competition in which numerous IXCs present different billing options to the end users, will properly determine how those costs are to be flowed through to the end users.

VII. RATE LEVELS

A. Prescriptive Approach To Access Reform

State Advocates recommend that this Commission take a prescriptive approach where significant market power exists. It is probable that for many years, the Commission will serve as referee as it manages the transition from a monopoly to a competitive market. The FCC should refrain from setting rates in markets that are truly competitive, but should prescribe rates in markets which are not fully competitive. As the FCC has recognized in ¶217, the switched access market is not fully competitive and may not be for some time. For these reasons we believe a prescriptive approach to access rates is appropriate. Prescribed rates may include price caps, ranges, or other controls consistent with the interstate regulatory structure.

B. Readjustment Of Rates To Economic Levels

At ¶220, the FCC proposes to adopt rules to drive access rates to economically-efficient levels in furtherance of its goal to develop competition for interstate access. In ¶221, the FCC makes the following observation:

> We note that when calculating the forward-looking economic cost of exchange access services, because these services share common network facilities with other incumbent LEC-provided services, such as local exchange service and intraLATA toll, fewer costs will be directly attributable or dedicated totally to exchange access services. Consequently, the incumbent LEC may need to recover significant common costs in addition to the TSLRIC of exchange access.

State Advocates support this approach. TSLRIC-based rates must recover an appropriate and fair share of common costs. As we have discussed above, this includes the interstate allocation of loop costs. We have no objection to setting rates based on a forward-looking basis which excludes uneconomic network costs. Forward-looking costs would include all network costs calculated on a forward-looking basis, and this is appropriate. In contrast, TSLRIC, and similar incremental cost approaches, excludes all joint and common costs of the network. Rates based on TSLRIC are inappropriate because other services would be forced to pick up an unreasonable share of common costs.

At ¶223-235, the FCC suggests various ways to reset access rates to economic cost levels: readjust the price cap indices (PCI) applicable to LEC baskets based on TSLRIC; readjust PCIs to yield a 11.25 percent return; readjust PCIs based on a new rate of return designed to target the current cost of capital; or adjust the X-factor in the price cap in such a way that access rates would be driven to "cost" over a five-year period.

State Advocates do not have a particular recommendation as to the above proposals so long as any readjustment of access charges results in rates that recover costs and a reasonable allocation of joint and common costs. Moreover, the cost method chosen should be consistent for all services. Restructuring access should not be used as an excuse to raise end user rates, raise the allocation to the intrastate jurisdiction, or to make up revenue reductions from switched access by increasing other services. The goal is to drive prices to efficient levels and not to merely shift costs from one category of services to another.

C. There Is No Compelling Argument Under the Law Or Equity To Permit LECs To Recover The Difference Between Access Charges Based On Embedded Costs And Access Charges Based On Forward-Looking Economic Costs

Beginning at ¶247, the FCC states that there may be a significant difference between revenues generated by access charges based on embedded costs and those based on forward-looking economic costs. The FCC seeks comments on whether and to what extent LECs should be permitted to recover the difference.

State advocates strongly urge the FCC to reject any LEC claim to recover historical or embedded costs as a matter of constitutional right or as a matter of equity. Utilities are not entitled to recover costs that have become uneconomic due to competitive pressure. In Duquesne Light Co. v. Barasch, 488 U.S. 299 (1989), the Supreme Court held that a "scheme of utility regulation does not 'take' property simply because it disallows recovery of capital investments that are not 'used and useful in service to the public,'" even where it excludes costs that were prudent and reasonable when made. 488 U.S. at 301-02. The Court reaffirmed its position in FPC v. Hope Natural Gas, 320 U.S. 591 (1944) that the focus of constitutional

concern is not the theory employed by the regulator, but rather the reasonableness of the total effect and impact of the rate order.

Regulatory agencies and appellate courts have long recognized that, even where an investment was prudent when made, such an investment may be excluded from rates in whole or in part where it is not currently used and useful in serving ratepayers. NEPCO Mun. Rate Com. v. FERC, 668 F.2d 1327, 1333 (D.C. Cir. 1981); Jersey Central Power & Light Company v. FERC, 810 F.2d 1168, 1181 n. 3 (D.C. Cir. 1987). The Supreme Court has found no constitutional obstacle even though certain rates might not permit some utilities to recover a return of and a return on all of their prudent investments. Permian Basin Area Rate Cases, 390 U.S. 747 (1968).

The United States Supreme Court in Market Street Roadway Co. v. Railroad Commission, 324 U.S. 548 (1945) declared that "regulation does not assure that the regulated business make a profit." 324 U.S. at 566. The Court recognized the consumers' needs and the investors' rights in an enterprise where "investment is impaired by economic forces of competition." However, the Court rejected any claim that investors have a constitutional right to all costs. The Court held that the due process clause cannot be applied to "insure values or restore values that have been lost by the operation of economic forces." 324 U.S. at 567. Just as the Market Street Railway was not constitutionally indemnified from the pressures of transportation competition in 1945, the telephone utilities of today are not entitled to receive absolute constitutional protection against bearing any of the cost impacts of emerging competition in telecommunications. The constitution does not guarantee the preservation of the investment's value under the changed circumstances posed by a competitive market.

The Commission should give no weight to the meritless contention that utilities have a constitutional right or some equitable claim to full recovery of and return on prudently incurred embedded costs. Any claims for "stranded cost", if they exist at all, will no doubt be offset by expanded business opportunities associated with competition and the hefty utility earnings local exchange carriers have and will likely continue to earn. Not one of these companies can make a legitimate claim that its financial integrity is impaired or that it is unable to attract capital.

At ¶257, the FCC suggests that it may be appropriate to limit recovery of embedded costs to "undepreciated" assets, but not for over-investment and inefficiencies. In ¶250, the FCC discusses claims that the embedded costs include assets that are under-depreciated, and the Notice also repeats the claims of some LECs that there is a significant "depreciation reserve deficiency." (¶ 251) One solution to this claimed "problem" is to allow the LECs an additional amortization to reflect the supposed reserve deficiency. (¶ 267) It is claimed such an amortization would increase access rates in the short term, but all things being equal, would lead to lower access rates after the amortization is completed. (¶ 268)

Although the LECs often assert that a reserve deficiency exists, the facts do not support that claim. The percent of the LECs plant investment that has already been depreciated is at a historically high level, and is rapidly growing. For example, in 1984, the depreciation reserve represented 25% of the investment for USWC in Iowa. In 1994, the depreciation reserve was 47% of the investment, as is shown on Schedule A. For all of the RBOCs, the depreciation reserves are at historically high percent of investment, and growing. Shown below are the depreciation and amortization reserves as a percent of total investment for the RBOCs.

PERCENT OF TOTAL INVESTMENT COVERED BY
DEPRECIATION AND AMORTIZATION RESERVES

Year	Ameritech	Bell	NYNEX	BellSouth	US West	PacTel	Bell Atlantic
1989	35%	34%	36%	34%	34%	37%	35%
1990	37%	37%	NA	36%	35%	37%	37%
1991	39%	37%	38%	37%	NA	35%	38%
1992	39%	39%	41%	39%	36%	38%	38%
1993	40%	40%	43%	41%	37%	39%	37%
1994	42%	42%	45%	43%	39%	40%	39%
1995	44%	44%	47%	45%	41%	41%	41%

This data is compiled from the ARMIS reports and is shown in more detail on Schedule B, Table 4. The LECs call for yet an additional amortization (¶ 267) would result in the depreciation and amortization reserve growing at an even faster rate.

Paragraph 268 suggests that an amortization plan would increase access rates in the short run but lead to lower rates at the end of the amortization period. Lower rates will not result. Under the price cap regulatory structure used to regulate the vast majority[52] of the LECs, an additional amortization would not lead to lower access rates in the future. The future PCI will not change as a result of an additional amortization.

More rapid amortization would only lead to lower rates if rates were set based on rate of return principles. An additional amortization would increase the amortization reserve which would lower the rate base. If an additional amortization is allowed that would increase the customers' rates in the short term. However, that would not reduce the customers' rates in the

[52]Ninety-two percent of the lines are served by price cap regulated LECs. The vast majority of the price cap regulated LECs select a productivity factor that does not require earnings sharing.

long term, since the customers' rates in the long term are controlled by the PCI, which would be the same as it would have been had the amortization not occurred.

There is no depreciation "reserve deficiency." The depreciation reserves of all of the RBOCs are at historically high levels and rapidly growing. No additional amortization to further increase the growth of the already large depreciation reserves should be approved.

XIII. MISCELLANEOUS ISSUES

A. Universal Service Joint Board Recommended Decision

In ¶ 242, the FCC referenced the Joint Board recommendation that the benchmark revenue be used to calculate the amount of universal service support. The sum of the revenue generated by local, discretionary, access and other services as found appropriate, divided by the number of loops served.

State Advocates recommend that the "access" or "others as found appropriate" revenues should include "imputed" access. In this way, a portion of the LEC toll revenues would be considered as offsetting revenue in order to reduce LEC revenue received from the USF. To do otherwise would result in treating toll carried by the LEC differently than toll carried by the IXC, even along the same route. For example, assume an IXC carries a toll call from one exchange served by an LEC to another exchange served by that same LEC. The IXC will pay access charges to the LEC at both ends of that call. If the LEC carries a similar toll call along that same route, the LEC normally is required to "impute" access charges for that toll call, but they

LEC does not actually make a payment for those access charges to itself.[53] The universal service revenue calculation should include imputed access, since the only difference between these is the relationship between the company(ies) carrying the toll and company(ies) providing the access.

In ¶245, the FCC noted it must determine the extent to which universal service support revenues should be considered in determining interstate access services. The State Advocates do not believe any portion of the universal service support should be used to reduce interstate access rates, or any other services which are services to the toll carriers. The federal universal service support mechanism is only to be used to support designated services, and is not to be used for other purposes. (¶ 37) Interstate transport or switched access services to IXCs were not included on that list. (¶ 46, Joint Board order) It is not reasonable to believe that the federal USF should be used to lower the payments the IXCs must make for their access services that are provided to them by the LECs or CLECs.

B. Separations Misallocation

Some parties are claiming jurisdictional separations over-assigns costs to the interstate jurisdiction. One LEC claims the Part 36 separations procedures over-allocate costs to the interstate jurisdiction, particularly for common costs. (¶ 23) In ¶ 249, the FCC uses one example where the FCC did not implement a shift of revenue requirement from the interstate to the intrastate jurisdiction in order to support a claim that jurisdictional separations procedures are distorted in favor of the intrastate jurisdiction. There is no reason to believe that overall,

[53]The imputation requirement is contained in ¶272(e)(3) of the Telecommunications Act. Also see 272(e)(4). Many states also have imputation requirements.

separations misallocates costs to the interstate jurisdiction. In 1987, significant revenue requirements were shifted from the interstate to the intrastate jurisdiction.

Prior to 1988, a portion of the local switching equipment investment was considered to be NTS investment for purposes of separations. However, commencing in 1988, the separations procedures were changed so that the local switching NTS costs were no longer identified, and instead were separated as if they were traffic sensitive costs.[54] Changing the treatment of the NTS portion of the central office equipment (COE) costs from being separated by the NTS allocator to being separated as if it were a traffic sensitive cost, shifted approximately 10% of the NTS COE switching equipment costs from the interstate to the intrastate jurisdictions.[55] [56]

The current FCC Notice acknowledges that a significant portion of the local switching investment is in fact NTS (¶ 73), which clearly indicates that the transfer of costs from the interstate to the intrastate jurisdiction, which started in 1988, was a transfer that was contrary to the cost nature of the NTS portion of the local switching equipment.

The average cost of a toll minute passing through a switch is greater than the average cost of a local minute, for a variety of reasons. For example, a toll call requires the switch to process and route based on more digits than does the average local call. Prior to 1988,

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[54]The full transition occurred over a several-year phase in.

[55]Part 36.154(c) and 36.126(c)(3). The 25% gross NTS allocator was not in use prior to 1988, but the NTS allocator used then, called the frozen SPF, varied from state to state, but averaged over 25% interstate.

[56]Interstate DEM Table 4.17 divided by total DEM Table 4.18 from the May, 1996 Monitoring Report, CC Docket No. 87-339. In fact, in 1988, the traffic sensitive allocator was less than 15% interstate. Therefore, the improper shift to intrastate was slightly greater than discussed in the text.

the separations studies determined the relative cost of handling a local vs. toll minute, and the separations factor was properly weighted to reflect that actual difference in cost. Starting in 1988, this actual difference in cost was no longer recognized.[57] This change again resulted in an unwarranted shift of interstate costs to the intrastate jurisdiction.

Services for which each call is billed separately, such as most toll services, require equipment to record the details of each call so that those details can be used for billing purposes. This equipment is not needed for flat rate local service, since there is no need to record the details of each flat rate local call. Although this equipment is also used for intrastate toll services and local measured services, a high percent of the use of this type of equipment is for interstate services. Prior to 1988, the separations process properly separated a high proportion of this equipment cost to the interstate jurisdiction, to reflect the actual use of that equipment. However, beginning in 1988, that equipment cost was no longer separately analyzed. The portion of these costs now allocated to the interstate jurisdiction is far below the percent for which this equipment is used for interstate services.[58]

Computers are required in order to process calls for those services where the billing is for each individual call, such as for most toll services. A similar amount of computer power is not required for flat rate local exchange service, since information for each flat rated local call is not processed. Prior to 1988, the use of general purpose computers for purposes such as billing was specifically studied. However, starting in 1988, the separations procedures were

[57]The complete change was implemented over a several year phase in.

[58]This total transition occurred over a several year phase in.

changed such that the use of the general purpose computers was no longer separately studied.

State Advocates do not recommend separations changes at this time because separations changes are not a proper subject for this docket; rather, separations issues must be referred to a joint board. State Advocates merely wish to make the point that separations misallocations burden the intrastate jurisdiction.

C. Charging End Users For Terminating Access Is Unreasonable

In ¶ 275 of the FCC's Notice, the FCC asked if charging the called party for terminating access would result in abnormalities, such as an increase of uncompleted calls. State Advocates submit that this is very likely to be the case. For one thing, it is reasonable to expect that the vast majority of end users would remove their name from any published directory, and from directory assistance. If they were going to have to pay for receiving calls, they would want to receive calls only from those whom they have chosen to give their telephone number.

Most cellular numbers are not included in published directories, undoubtedly because customers do not want to receive calls from anyone other than those to which they have chosen to give their cellular number. Only 18% of all residential cellular calls are calls received by the cellular customers. The remaining 82% are outgoing calls.[59] Obviously, if all wireline customers avoided receiving calls as much as the cellular customers now do, the usefulness of the telephone network would be greatly impaired. If access charges were applied to those receiving calls, the result would be to virtually destroy the telephone network as we now know it. Consumers would only be able to call the people who had already given them their number, and would be virtually unable to obtain the telephone number of almost anyone who had not directly

[59] "Reality of Bill and Keep", America's Network, January 1, 1997, page 8.

chosen to give that number to them. This would greatly limit the usefulness of the wireline network.

In ¶275 of the Notice, it is claimed that wireless companies already charge the called parties for receiving calls. First of all, charging for incoming cellular calls is largely a result of the lack of true competition, due to the oligopolistic cellular structure that has existed in the past.[60] As more competition has been introduced, the new wireless services are moving away from charging for received calls. For example, Sprint's Spectrum PCS service offering in the Washington, D.C. and Baltimore area, provides the first minute of incoming calls free.

D. Assessment Of SLCS On Derived Channels

As the FCC points out, the current procedure is to assess one SLC on each voice grade equivalent channel, regardless of the technology used to provide that voice grade equivalent channel. ISDN service uses "derived channel" technologies. The FCC points out that one type of ISDN service obtains two voice grade equivalent channels and a data channel over one pair of wires, whereas another type of ISDN service provides 23 voice grade equivalent channels and a data channel over two pairs of wire. (¶69) Some commentors have proposed that for ISDN service, a SLC should be assessed for each pair of copper wires for each ISDN facility. (¶68 and ¶69) This is an unworkable recommendation, and if implemented, would be improper discrimination.

[60]Generally, only two cellular licenses are issued per area.

Derived channels[61] are used for a wide variety of services including conventional local telephone service. The FCC Notice properly states that the LECs also use derived channel technologies within their networks for customers with individual loops. In such a situation, the end users may not even be aware that derived channel technology is being used. Since the use of derived channel technology is common for a wide variety of services, not just ISDN, charging one SLC charge per voice grade equivalent for all other services, but not for each voice grade equivalent channel for ISDN service would be needless and improper discrimination.

However, if this proposal was modified to eliminate the proposed discrimination among services, additional problems would arise. Under this proposal, if two voice services were provided by ISDN, then that customer would pay one SLC charge although the customer would receive two voice grade channels using derived channel technology. However, if a customer received two voice grade equivalent channels provided using derived channel technology, but those channels were called conventional voice telephone services, then that customer would pay two SLCs. Such a policy would be discriminatory and improper.

Finally, assessing the SLC based on the count of the number of pairs of copper wires employed is unworkable now and will be even less workable in the future. Presently, the feeder portion of the loop is frequently provided through derived channels over fiber. For some high volume locations, fiber is already used all the way to the customer premises, therefore, there

[61]It is important not to confuse what is provided when an unbundled loop is provided to a carrier. When a carrier subscribes to an unbundled loop, they do not necessarily receive a pair of wires, but instead may receive a voice grade equivalent channel that may be a derived channel. Therefore, carriers cannot subscribe to two unbundled loops, and from that derive 24 voice grade equivalent channels, for example.

would be no copper pairs to count. An application of the SLC based on the count of copper pairs is not practical, reasonable, or non-discriminatory. The SLCs should be assessed on a technology independent basis, such as the current "voice grade equivalent" channel basis.

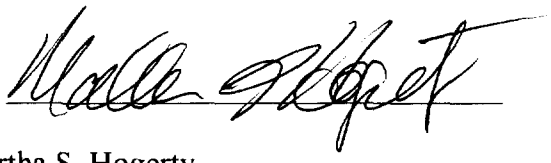
This proposal would also inhibit the introduction of new technologies and services. This proposal would provide a financial incentive to LECs to keep customers on conventional service instead of on ISDN service. If a customer has two telephone lines provided under the conventional service rates, the LEC would receive the revenues from two SLCs from that customer. However, under this proposal, if that customer converted to ISDN, then the LEC would receive the revenue from only one SLC from that customer, although the customer is still receiving two channels of service. This proposal, therefore, provides a financial incentive for the LECs to not promote the conversion to ISDN.

Another proposal is to assess the SLC charges based upon the LECs' calculation of relative NTS costs. (¶ 69) This concept is also unworkable and discriminatory because this proposal is technology dependent.

State Advocates request the Federal Communication Commission to consider these comments and enter its rulemaking order consistent therewith.

Respectfully submitted,

STATE CONSUMER ADVOCATES

By: 

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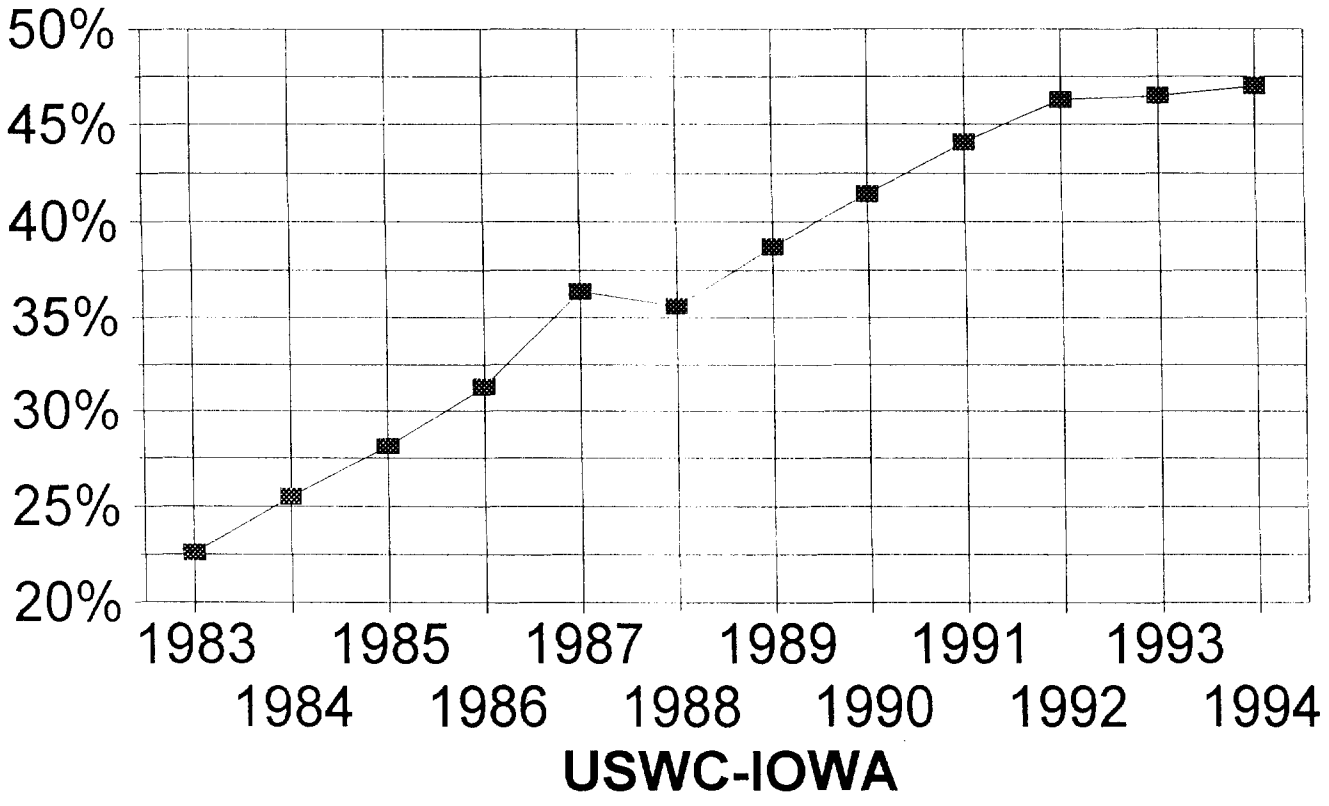
SCHEDULE A

DEPRECIATION RESERVE

PERCENT OF PLANT INVESTMENT



SCHEDULE B

TABLE 1
RATIO OF SHAREHOLDER INVESTMENT TO TOTAL INVESTMENT

Year	Ameritech	Southwestern Bell	NYNEX	BellSouth	U S WEST	PactTel	Bell Atlantic	RBOCs Average
1989	52%	54%	52%	54%	53%	54% (3)	*	*
1990	51% (1)	51% (2)	*	51%	51%	*	52% (4)	*
1991	50%	51%	50%	51%	*	51%	51%	*
1992	49%	50%	47%	49%	51%	49%	51%	50%
1993	43%	48%	46%	49%	50%	49%	52%	48%
1994	40%	45%	44%	47%	49%	48%	49%	46%
1995	31% (5)	41%	42%	45%	47%	48%	49%	44%

TABLE 2
SHAREHOLDER INVESTMENT PER COMMON LINE

Year	Ameritech	Southwestern Bell	NYNEX	BellSouth	U S WEST	PactTel	Bell Atlantic	RBOCs Average
1989	$841	*	*	$1,144	*	*	*	*
1990	$850 (1)	$1,044 (2)	*	$1,083	$1,035	*	$910 (4)	*
1991	$813	$1,050	$971	$1,060	*	$907	$900	*
1992	$792	$1,031	$928	$1,033	$1,050	$885	$886	$939
1993	$686	$998	$897	$1,016	$1,029	$886	$867	$906
1994	$630	$928	$862	$974	$1,006	$862	$822	$864
1995	$461	$844	$829	$937	$983	$851	$817	$812

TABLE 3
TOTAL INVESTMENT PER COMMON LINE

Year	Ameritech	Southwestern Bell	NYNEX	BellSouth	U S WEST	PactTel	Bell Atlantic	RBOCs Average
1989	$1,607	*	*	$2,105	*	*	*	*
1990	$1,653 (1)	$2,058 (2)	*	$2,108	$2,037	*	$1,758 (4)	*
1991	$1,628	$2,063	$1,938	$2,092	*	$1,780	$1,751	*
1992	$1,603	$2,070	$1,974	$2,096	$2,059	$1,795	$1,731	$1,895
1993	$1,594	$2,077	$1,957	$2,089	$2,047	$1,820	$1,658	$1,881
1994	$1,558	$2,067	$1,945	$2,074	$2,065	$1,793	$1,681	$1,873
1995	$1,502	$2,034	$1,958	$2,073	$2,084	$1,765	$1,683	$1,861

TABLE 4
% OF TOTAL INVESTMENT COVERED BY DEPRECIATION AND AMORTIZATION RESERVES

Year	Ameritech	Southwestern Bell	NYNEX	BellSouth	U S WEST	PactTel	Bell Atlantic	RBOCs Average
1989	35%	34%	36%	34%	34%	37% (3)	*	*
1990	37% (1)	37% (2)	*	36%	35%	*	37% (4)	*
1991	39%	37%	38%	37%	*	35%	38%	*
1992	39%	39%	41%	39%	36%	38%	38%	39%
1993	40%	40%	43%	41%	37%	39%	37%	40%
1994	42%	42%	45%	43%	39%	40%	39%	41%
1995	44%	44%	47%	45%	41%	41%	41%	43%

Footnotes:

* The ARMIS 43-01 report necessary to make this calculation is no longer available on the FCC bulletin board and we have not yet obtained copies from other sources. We are still attempting to obtain the outstanding reports needed to make these calculations for the additional years.

(1) 1990 Data Excludes Illinois, because the data was not available.
(2) 1990 Data Excludes Texas, because the data was not available.
(3) 1989 Data Excludes Nevada, because the data was not available.
(4) 1990 Data Excludes Pennsylvania, because the data was not available.
(5) For Ameritech, the majority of the 1995 decline was not from increased depreciation/amortization reserves. (See Table 4)

Calculations:

Table 1 = ARMIS 43-01; Line 1910 / (Line 1690 + Line 1790)
Table 2 = ARMIS 43-01; Line 1910 / (Line 2090 + Line 2100 + Line 2110 + Line 2120)
Table 3 = ARMIS 43-01; (Line 1690 + Line 1790) / (Line 2090 + Line 2100 + Line 2110 + Line 2120)
Table 4 = ARMIS 43-01; (Line 1820 + Line 1830) / (Line 1690 + Line 1790)